

DEIAgra Working Papers 2007, volume 3

WORKING PAPER

DEIAgraWP-07-002

**ORGANIC FOOD MARKETING AND DISTRIBUTION IN THE
EUROPEAN UNION**

Maurizio CANAVARI, Roberta CENTONZE,
Gianluca NIGRO

July 2007

Language: English

DEIAgra**DIPARTIMENTO DI ECONOMIA
E INGEGNERIA AGRARIE**

Alma Mater Studiorum - Università di Bologna

DEIAgra Working Papers are published with the review of an internal scientific committee within the Department of Agricultural Economics and Engineering of the Alma Mater Studiorum-University of Bologna.

Information on other titles in this series may be obtained from:

Dipartimento di Economia e Ingegneria agrarie
Alma Mater Studiorum-Università di Bologna
viale Giuseppe Fanin, 50
40127 Bologna (Italy)
e-mail address is: deiagrawps@agrsci.unibo.it.

This series is edited by Maurizio Canavari.

This paper is available electronically from AgEcon Search at <http://agecon.lib.umn.edu>.

Copyright © 2007. All rights reserved by the authors.

Readers may make copies of this document for non-commercial purposes by any means, provided that this copyright notice appears on all such copies.

| | |
|----------------------|--|
| Authors | Maurizio CANAVARI, Roberta CENTONZE, Gianluca NIGRO |
| Date | July 2007 |
| Title | ORGANIC FOOD MARKETING AND DISTRIBUTION IN THE EUROPEAN UNION |
| Working Paper No. | DEIAgraWP-07-002 |
| Pages | 19-39 |
| Language | English |
| Keywords | organic food, distribution, marketing, communication, brand |
| JEL classification | Q13 - Agricultural Markets and Marketing; Q17 - Agriculture in International Trade |
| Authors' affiliation | Alma Mater Studiorum, University of Bologna Department of Agricultural Economics and Engineering |
| Aknowledgements | Gianluca Nigro drafted the paper, Roberta Centonze made the raw data collection, Maurizio Canavari co-coordinated the research and wrote the Conclusions. The study was presented by Maurizio Canavari during the seminar held in Bangkok, Thailand, on March 1, 2006, in the framework of the BEAN-QUORUM (Th/Asia-link/006) project. |
| Contact | Maurizio Canavari Dipartimento di Economia e Ingegneria agrarie viale Giuseppe Fanin, 50 40127 Bologna (BO) - Italy tel. +39-051-2096108 fax. +39-051-2096105 e-mail: maurizio.canavari@unibo.it |

ORGANIC FOOD MARKETING AND DISTRIBUTION IN THE EUROPEAN UNION

Maurizio CANAVARI,
Roberta CENTONZE,
and
Gianluca NIGRO

Abstract

The paper discusses the European organic agricultural sector from a socio-economical point of view and from a EU perspective.

In the 1990s organic agriculture has known a strong development and today it is considered as a stable sector and with a certain economic importance inside agricultural sector.

If originally organic food was the result of an ideological choice and was set inside the alternative culture in opposition to current models of economic development and social organisation, today it has the feature of an entrepreneurial phenomenon, belonging to a life style and to a finally acknowledged cultural model which is able to attract human and financial resources on its own, to produce profit and to satisfy a steadily increasing market.

A description of the data obtained by the main available sources on organic food markets in Europe is provided, trying to analyse the present scenario for organic agriculture with the lenses of the 4Ps marketing management paradigm.

The analysis may be useful to shed light on the several facets of the organic sector in Europe, and as a basis for further studies on the topic.

1. Introduction

In the last years, either in Italy or in Europe, attention to organic agriculture, food safety and related issues has significantly increased. The growing interest for alternative farming techniques, such as organic agriculture, is playing an important role in the primary sector.

Organic agriculture practice aims to be as much consistent as possible to the laws regulating the natural system that underlies the agricultural system. The use of "organic" in reference to agricultural production and food is legally guarded in many countries, and some independent inspectors (OACB – Organic Agriculture Certification Bodies) have more stringent compliance requirements than others. Many farmers in less developed countries may practice organic agriculture by default based on their traditional methods of production (Kristiansen and Merfield, 2006).

The international food standards, Codex Alimentarius, state: "organic agriculture is a holistic production management system which promotes and enhances agro-ecosystem health, including biodiversity, biological cycles, and soil biological activity. It emphasises the use of management practices in preference to the use of off-farms inputs, taking into account that regional conditions require locally adapted systems. This is accomplished by using, where possible, agronomic, biological, and mechanical methods, as opposed to using synthetic materials, to fulfil any specific function within the system" (FAO, 1999).

The bases of the development of the organic products are in its recognition as separate farming technique, with its own principles as to the conventional agricultural production. The organic production certificate is given according to the European Union regulations, being Reg. CEE 2092/91 related to plant productions and Reg CEE 1804/99 related to animal production (Lunati, 2006). Community legislation includes rules for production, labelling and control of organic products.

By the end of 2006, on the EU territory more than 140.000 operators, covering 6.3 million hectares, are liable to the European Union control system (FIBL Survey, 2005-2006). EU gains the second place in the world for the extent of areas destined for organic agriculture, preceded only by Australia. The most important feature is that organic productions show an independent growth in comparison to the growth of conventional productions. In fact, although the European land available for agriculture decreased by 2.5% from 1990 to 2000, thus going from 115,3 millions of hectares to 112,7, in the same period the land available for organic production increased by 1,2%.

From these data, it is apparent that organic agriculture can represent a significant economic opportunity for European farms and the development of the rural areas. In many EU countries, the organic sector growth offers new employment opportunities, not only at the primary sector level but also at the processing level as well as in the relevant services.

Another important aspect is the compatibility of the organic concept with another powerful rural development and marketing tool, widely used in Italy, i.e. geographical indications (PGI/PDO) instruments. Compatibility of production rules is not always guaranteed, and the issue of overlapping controls is also of extreme importance (Canavari and Olson, 2007). In particular, such a certification system highlights either the distinguishing capacity of food products through protection labels such as traditional/local food – PDO and PGI or the peculiarities of the food production of each member country including traditions and organoleptic qualities (Lunati, 2006). Organic products fall in the category of food to "value added" (premium price) such as traditional product, because the consumer consider them as specialties food.

The aims of the paper are to provide quantitative description of the phenomenon of organic food both from the productive and distributive points of view and determine the role and the perspectives of organic food on the European agricultural and food market.

The paper is organised as follows:

- Section 1: Introduction. Brief outline on motivations and objectives of the paper;
- Section 2: Materials and methods. Description of the data collected the method soft analysis;

- Section 3: Description of the general framework;
- Section 4: Marketing mix aspects (Product, Brand, Price, Distribution, and Communication).
- Section 5: Conclusions. Interpretation of the results and a glance at the future perspectives.

2. Materials and methods

Different sources (institutional and private bodies operating in the organic sector) either at the international (particularly European) or national level have been used to get data.

Among the many bibliographic sources which have been looked up, we mention at the international level: IFOAM, BIOFACH, FIBL-Survey, SOEL-Survey, EC 2005 Organic Farming in the European Union Facts and Figures, Oekolandbau, Commission General Direction Agriculture; whereas at the national level: ISMEA/ACNIELSEN, BIO BANK, Italian Ministry of Agriculture (MIPAF), SINAB, FIAO, inspection and certification bodies.

The data collected (the reference period 2003-2006 years) describes in detail the organic food production in the EU. In particular, the organic market has been described with the following methodology:

- the organic agriculture surface area in the world;
- the number of organic farms in the world;
- the value of organic food consumer markets in selected areas (North America, Europe, Asia, Oceania, South America);
- the organic retail sales in EU-15;
- per capita expenditure for organic food in Europe and US.

In the second part of the paper the situation of organic food marketing in the European Union member countries with a particular focus on Italy is discussed. The analysis considers the 4 marketing mix tools: product, price, distribution, communication.

Finally, we draw conclusion from the previous analysis and we identify trends of emerging market and possible actions to support the growth of organic food.

3. General framework

Organic agriculture has gained a relevant market share on the supply side, but mostly in developed countries. In Australia a relevant surface area has recently been converted to organic agriculture, mainly pasture and grazing land. In Europe, a quite large share of agricultural surface area is now managed according to the principles of organic agriculture. Organic agriculture surface area in the world accounts more than 26 million hectares in 2003, with 10% growth compared to 2002. Also the number of operators in the same year has increased by 20%, going beyond 558.000 units (Willer and Yussefi, 2005).

According to FIBL Survey in 2005, organic agriculture is present all over the world in about 120 countries, and the hectares cultivated with such technique increase by a yearly rate of 8-9%.

On 31/12/2005 organic agriculture surfaces reached 31,5 millions of hectares. Most of them are located in Australia, China, Argentina, Italy and USA (Figure 1).

Australia groups about 39% of the world organic agriculture surface, followed by Europe (21%) and South America (20%).

For what concerns Europe, at the end of 2005, about 6,6 millions of hectares have been assessed as organic farming land, corresponding to 3,4 % of the whole organic farming surface area in the world.

In the 25 countries of the EU, hectares grown organically are 5.8 millions; the list of the member countries is lead by Italy with a surface corresponding to 954.000 hectares, followed by Germany (about 767.891 hectares), Spain (733.182 hectares), Great Britain (690.270 hectares) and France (534.037 hectares).

In 2005 the world total turnover of organic products was about 30 millions Dollars (source: Bio Bank); in Europe it recorded 13,7 millions Euro (source: Ismea).

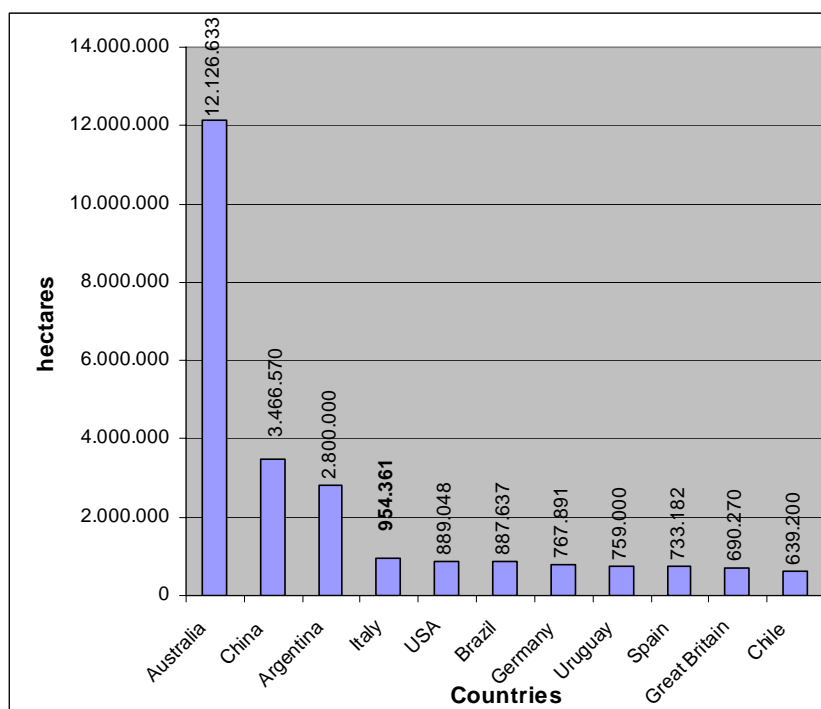
According to FIBL, in 2005 the number of the organic farms is increasing in the world.

On 31/12/2005, organic farms all over the world were 622.782. Most of them were located in Mexico (19%), Indonesia (7%), Italy (7%) e Philippine (5%) – (Figure 2).

For what concerns Europe, an estimated amount of 168.000 organic farms is reported by FIBL, corresponding to about 1,6% of the total farms operating in Europe.

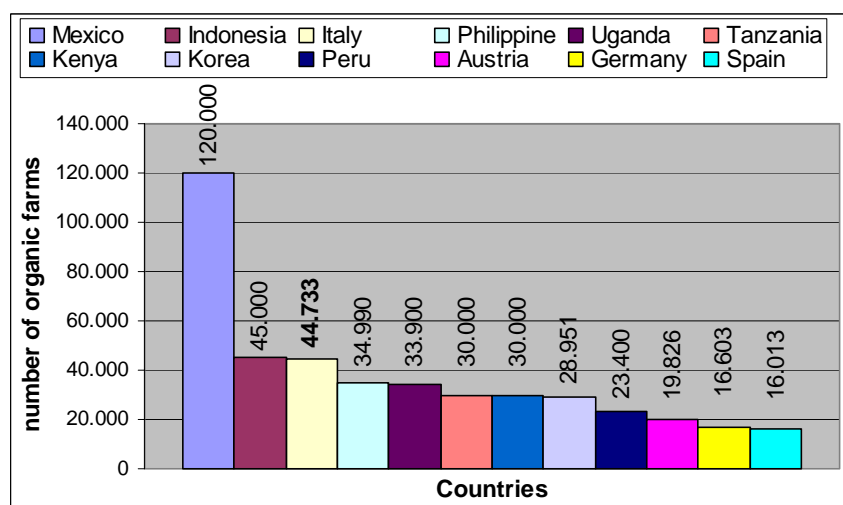
In the EU area, farms producing organically are about 140.000 of which: 36.639 in Italy, 19.826 in Austria, 16.603 in Germany, 16.013 in Spain, 11.059 in France and 8.269 in Greece; the above listed countries accounts for about 65% of the farms (Willer and Yussefi, 2005).

Figure 1 - The organic agriculture surface area in the world (year 2005)



Source: FIBL Survey, 2005-2006

Figure 2 – Number of organic farms in the world (year 2005)



Source: FIBL Survey, 2005-2006

The market of organic products is growing almost everywhere in the world, however it is important mostly in the West European countries, USA and Japan. Some of the countries rely on import, others rely mostly on the domestic production dependently also on the domestic market size. Some other countries are net exporters. In 2003, Western Europe overtook North America, becoming the first in the world-wide classification for the organic market value. Though, such overtaking was due more to the depreciation of the US dollar, than to a real increase in the European organic market value.

In 2003, Western European market counted 15,6 thousand millions Euro with 52% share on the total sales of organic foods, whereas North America counted 45% share (13,68 thousand millions Euro). In Western Europe, Germany is the most important market, with almost 30% sales (3,1 thousand millions Euro) with a 2-5% increase, followed by United Kingdom (1,61 thousand millions Euro) with a 10% yearly increase, and by France (1,578 thousand millions Euro). The table below shows some of the differences in the organic food marketing of the main Western European countries (Table 1).

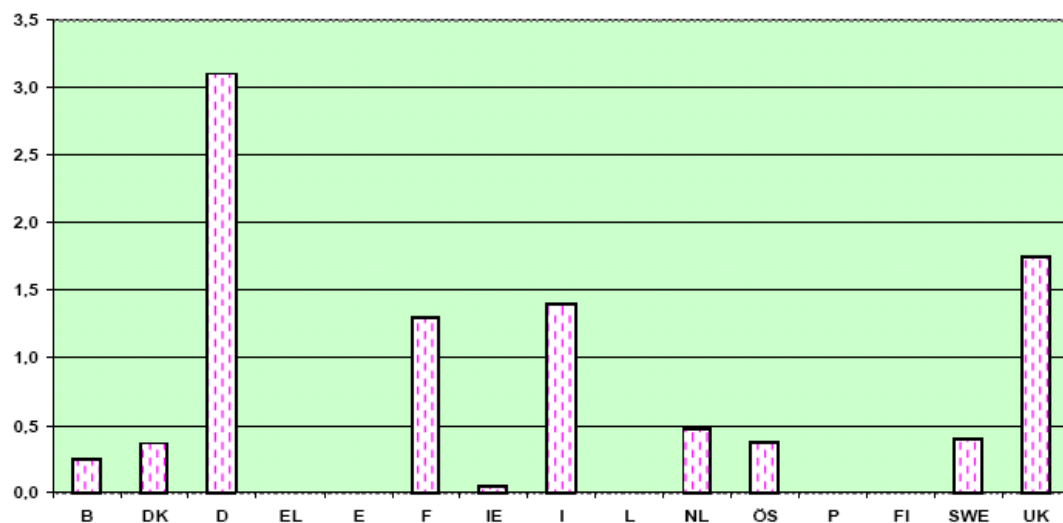
Table 1 - The value of organic food consumer markets in selected areas (year 2003)

| Area/Country | | Value (million of euro) |
|---------------|-----------------|-------------------------|
| North America | | 13.680 |
| | USA | 12.720 |
| | Canada | 960 |
| Europe | | 15.600 |
| | Germany | 3.100 |
| | United Kingdom | 1.610 |
| | France | 1.578 |
| | Italy | 1.400 |
| | Switzerland | 742 |
| | Other countries | 7.170 |
| Asia | | 576 |
| Oceania | | 288 |
| South America | | 120 |
| TOTAL | | 30.264 |

Source: Biofach 2005 and Fibl Survey, February 2005

In 2004, the EU-15 retail sales of organic products were estimated around 11 billion Euro, about 5% of the EU-15 final agricultural production, that was 225 billion Euro (Rohner-Thielen, 2005). Germany was the largest national market in Europe with a share of about 30% of the total EU market volume (3.5 bio Euro). Other national markets with more than one billion Euro of retail sales of organic products are the United Kingdom (1.6 bio Euro), Italy (1.4 bio Euro) and France (1.2 bio Euro) – (Figure 3).

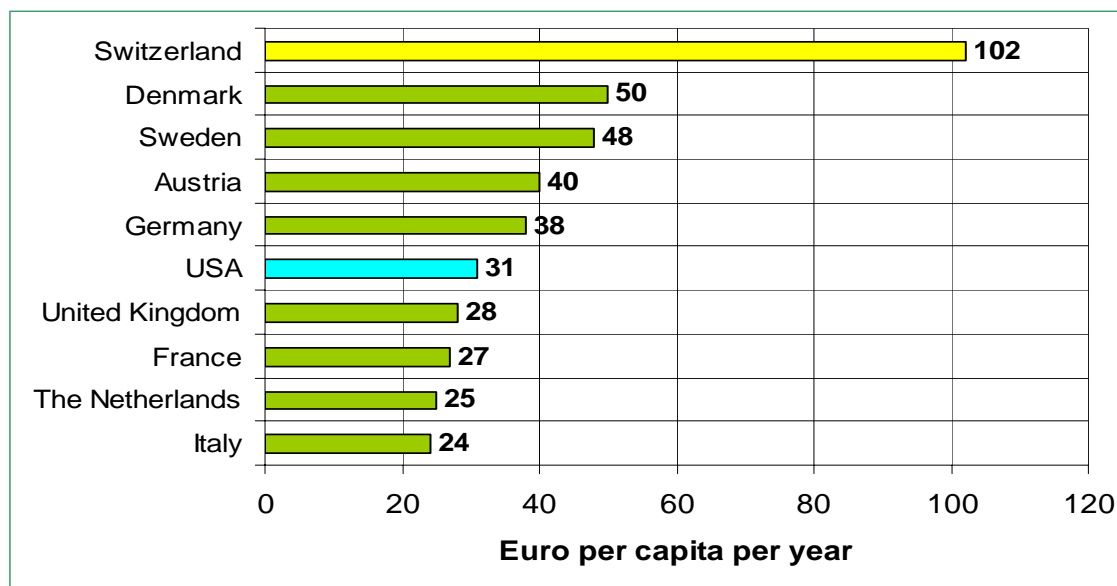
Figure 3 - Organic retail sales in EU-15, year 2004 (bio Euro)



Source: EC 2005 Organic Farming in the European Union Facts and Figures

Anyway, since the food markets dimensions are different, there are also differences in terms of per capita consumption. Switzerland, a non-EU country, is the leader in Europe, and per capita expenditure is higher than 100 Euro per year. This is double than the second and the third in the ranking: Denmark and Sweden. Italy ranks 11th in this ranking with an average yearly expenditure of 24 Euro. USA records an average expenditure per year a little higher than 30 Euro (Figure 4).

Figure 4 - Per capita expenditure for organic food in Europe and US (year 2003)



Source: FIBL, 2003

4. Marketing mix aspects

This study discusses the situation of organic food marketing in the European Union member countries with a particular focus on Italy.

The analysis considers the 4 marketing mix tools:

- Product: main types of organic food (attributes and quality);
- Price: premium price, price differences in market channels;
- Distribution: large retail, traditional retail, specialised shops, food service channel;
- Communication: advertising, relations with private/public institutions.

A fifth tool considered is branding (branding policy, brand value, national brands), usually seen as a product attribute, but here looked at as a proper means of development of the organic food development on the internal and international market.

4.1. Product

The Regulation EEC 2092/91 represents the base of the EU regulation on organic farming for "plant-based agricultural, not transformed products". It regulates: labelling, standard production methods, control system, provisions relevant to organic food import from non-EU countries, products for the soil manuring and amending, phytosanitary products admitted for organic pest management.

An important feature of organic products is represented by certification. Organic products possess several credence attributes, thus the assurance of integrity and quality of the product and of the process is of paramount importance.

Any farm aiming at producing or processing products using the organic method has to be certified by a control body guarantying the compliance with the Regulation. For instance, the

Italian State has authorised 16 control bodies to certify Italian organic productions; the German-speaking Autonomous Province of Bolzano has also recognised 5 control bodies, 4 based in Germany (BIOZERT; INAC; IMO; QC&I) and one based in Austria (Biko).

Ministerial credits are given according to the compliance with criteria of independence, impartiality, efficacy, competence and reliability as stated by the legislative decree 220/95; seven of the control organisations have received the SINCERT conformity accreditation to the norm UNI EN ISO 45011. Such certification adds to the productive process certification also the certification of the product obtained. Each step has to be certified on special registers held by the Agricultural Ministry. The average cost of certification for an agricultural farm with 3-4 hectares varies from 300 to 400 Euro per year, depending on the region and on the controlling organisation.

In august 1999, with the Regulation CEE 1804/1999, new rules have been applied to production, labelling and control system for animal husbandry of the main domestic animal species (bovine, ovine, horse and poultry products).

On 31/12/2005 European Commission has adopted a new proposal about organic production aiming to clarify the discipline from the point of view of both consumers and farmers. The new regulation has the following features: producers of organic food will be free to choose whether to use or not the UE organic label; in order to be labelled as "Organic" the finished product must contain at least 95% of organic ingredients; products containing Genetically Modified Organisms (GMO) will not be labelled as organic food (a maximum percentage of GM not higher than 0,9% for each ingredient, due to accidental contamination, is allowed); imported organic food will be admitted only if they comply with UE rules or if they have equivalent guarantees.

As far as main types of organic food produced in Europe are concerned, they can be divided into basic organic food (fresh and processed) and value-added organic food. In particular, basic organic food processed can be divided in different categories: fresh and processed fruits, rice and pasta, bread and its by-products, milk and its by-products, oils, biscuits, snack, alcoholic and non-alcoholic beverages, eggs, products for children, flavouring, sugar, coffee, tea, ice cream and frozen foods, honey, pork products, other organic foods.

The main features attributed to organic food, recognised and valued either by the European producer or by the European consumer, are: healthiness, seasonal availability, safety, element of a 'green, or ethical, or responsible' lifestyle, and the certification; the Europeans are also aware that organic food is grown without using pesticides, herbicides (should not contain residues of chemicals) and GMO.

Concerning the healthiness & safety of organic food, even if it not supported by scientific evidence, the content in nutrients and micronutrients is considered richer than that of conventional food, but strict control system is put in place in the EU countries. The producer comply with the EU rules for the product from organic agriculture, as well as with those set by international (ISO and CEN) and national (UNI) standardisation bodies. The product complies with EU/national standards for organic food, as well as to specific production rules for industrial production.

Other positive meanings of the attribute organic are: seasonal & tasty (no chemicals are allowed to help preservation, the ripening is more natural, the water content may be lower); local vs. global (it may be associated to the support of an ideal old-fashioned local farmer - direct from producer -, as well as with ethical issues and fair trade practices supporting agricultural communities); lifestyle element (buying organic food tells about you, indicating particular care and commitment for the individual well-being as well as the state of the environment: the higher price of organic food may make its purchase a status symbol).

4.2. Brand

The latest European food scandals (BSE, dioxin, etc) have partly contributed to the development of the organic food market. Moreover in the last years, the improvement of distribution channels has played an important role in the promotion of purchases.

Indeed, the arrival of large retail companies in such market and the creation of important groups, improved the marketing and the distribution of organic foods. In fact, one of the most

important elements for the spreading of organic foods is given by marketing policies and advertising realised by public branding (EU, member states, regional authorities), collective branding (associations, consortia) and private branding (retailer's brand, producer's brand, certification body's brand).

Differentiated policies have the advantage to meet the national consumer needs and preferences. However, increasing varieties of brands and overlapping brands may create confusion and weaken the overall image of organic products.

The value of the organic brand depends on its reputation, reliability and credibility.

A common seal is available in the European Union, but there are differences among EU countries (figure 5):

- in Germany, France, Austria national brands have been created. Any EU and non-EU organic company may request and obtain the right to use it if they comply with the rules;
- the Netherlands, Belgium, Sweden, Italy have no national brand but several control bodies authorised by the Ministry of Agriculture;
- Denmark has established a national brand for organic foods "Ø" (Økologimaerke) controlled by the State;
- in Switzerland (Non-EU country) the most widespread brand is the private bio-mark Biosuisse, any EU organic company producing in conformity with Swiss rules may require the brand.

Figure 5 - Branding organic in Europe - (year 2006)



- France has a national logo for organic products - the AB-Logo (AB = Agriculture Biologique) -, which is owned by the French state. Organic products can be labelled with this logo when they contain more than 95% organic components, were produced or processed within the EU, and were certified by one of the inspection bodies accredited according to EN 45011.

Moreover, there are three private collective marks (Aiab, Amab e Demeter) controlled by national associations granting their marks to farms complying with disciplinary measure for organic agriculture which are even stricter than Reg. CEE 2092/91. Demeter mark identifies only products obtained with bio dynamic farming techniques.

In Germany there are currently eight organic producer organisations. They gather about 60% of Germany's organic farmers. The organic producers' organisations all own legally protected seals with which certified farms and certified processors can be labelled. These seals are familiar to German consumers, especially those of Demeter, Bioland and Naturland.

In Austria, in 1994 the Ministry of Agriculture and Forestry introduced a label to guarantee product safety to the consumer. The "Austria Bio-Zeichen" ("Austria Organic Label") may be used by approved farmers, processors and trading companies. It guarantees that the food bearing this label originates from organic farming. In addition, the label certifies that at least seventy per cent of the ingredients originate from domestic organic farming. There is also a supplementary logo for non-domestic organic products.

A new trend is represented by the national logos, which also include the local origin of the product (for example Hessen, Baden Württemberg, or Bayern). This is related to the general feeling that an organic product should be delivered by a farmer who lives and works close to the consumer.

In this context is very important to maintain the credibility of the organic farming sector and the regulation introduces specific rules on the inspection and control activities. Each EU member State is responsible for the in-country implementation of controls. In the EU there are 166 inspections and certification bodies (2005) of which: 20 in Italy, 10 in UK, 8 in Austria, etc.

The impact on consumer trust is variable: it is essential to create consumer trust where the supply chains are long (retail chains); it is easier to create trust in short supply chains and in direct marketing (e.g. farmer's market, box schemes, on-farm sales). The brand is a sort of catalyzer on which consumer's trust may be created and value enhanced (but also it may be destroyed).

Recently, all the European large retailers have launched an organic line within their "private label". – (Table 2).

Table 2 - Retailers private labels in Italy (year 2004)

| | Label | Year of launch | References (number) |
|-------------|---|----------------|---------------------|
| CARREFOUR | ScelgoBio | 2000 | 221 |
| CONAD | Conad - Nuovi prodotti da agricoltura biologica | 2000 | 50 |
| COOP | Bio - Logici Coop | 2000 | 307 |
| CRAI | Crai Bio | 2001 | 39 |
| DESPAR | Bio, Logico | 2001 | 80 |
| ESSELUNGA | Esselunga Bio | 1999 | 500 |
| GRUPPO PAM | BioPiù | 2000 | 42 |
| REWE ITALIA | Si! Naturalmente | 2001 | 160 |
| SELEX | Bio Selex | 2001 | 17 |

Source: Bio Bank, 2004

In 2004, 307 products under the Coop (the leading retailer in Italy) organic agriculture brand recorded a turnover corresponding to 83,5 million Euro, with an increase exceeding 4% in total, with better results for:

- fruit and vegetables sector: +19,6% (33,7 millions Euro);
- meat sector: +17,0% (3,4 millions Euro).

The brand “bio-logici Coop” is the most mentioned by the Italian consumers among all the retailer own brands of Coop products, in comparison with the “eco-logici Coop” (environmental friendly) and “solidal Coop” (fair trade) brands.

The brand culture is very important for successful marketing strategies. In particular, brand characteristics are: to let the consumer know and identify the products and its features, to allow a close identification with the product, to carry emotions and values (for example: being frank, honest, authentic, and careful).

At the national level, commercial labels have registered an increasing sale of organic food. One of the main reasons of this growth is due to the fact that the private mark can reduce the differential between the price of the organic food and of the conventional product that is generally quite high (from 30% to beyond 100%). Moreover, what has to be underlined is that the bio labels are subjected to offers of which previously only conventional market could take advantage, such as promotional offers 3x2.

4.3. Price

One of the controversial issues limiting the development of the organic market is represented by price. For what concerns price, there are no official data, but national newspapers report that organic products are more expensive than conventional products (on average plus 30%). Such a gap is motivated by the better quality of the agricultural products and the production, processing and distribution costs.

Only partial information is available on prices for organic products. However, as a general rule, organic products receive a higher price than conventional products, but prices diverge depending on the country and on the product. Figures 6 and 7 show the prices for organic and conventional products at farm gate level and at retail level for 2 selected products (apples, eggs) in the EU-15.

These data are based on surveys conducted in 2001 for farm prices and in 2002 for consumer prices. The collected farmer prices are the average prices which farmers received when they sold their products to wholesalers or processors. The consumer prices are collected in different types of shops, selected according to the relative importance of sales channels in each country. (OMIARD, 2004).

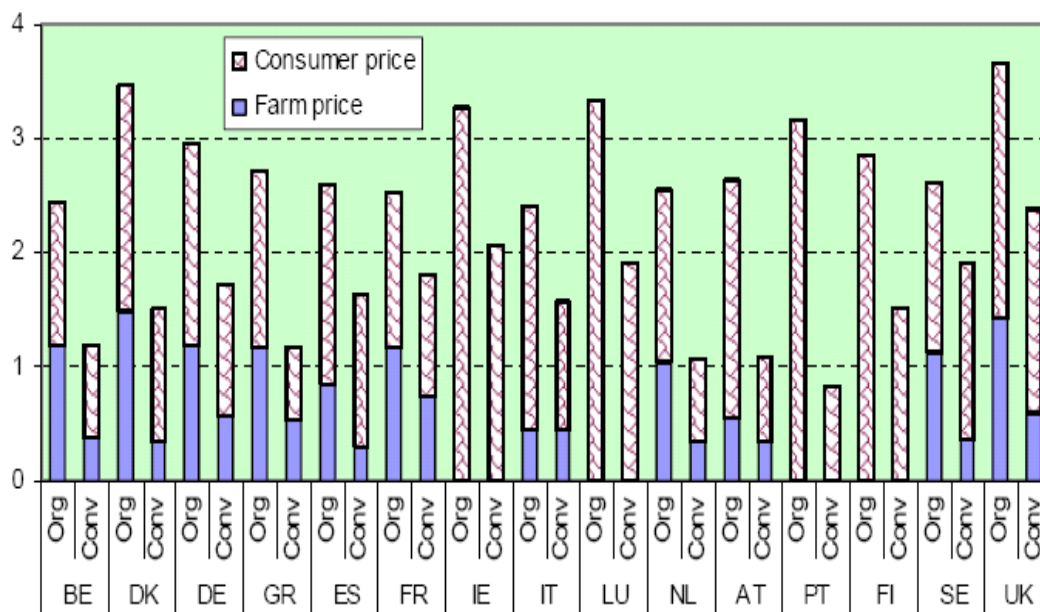
For organic apples, farm gates prices resulted to be the lowest in Italy (0.45 Euro/kg) and comparable with the prices of conventional apples; about 60% of the EU-15 organic apples sales originated from Italy (Willer and Yussefi, 2005). On the opposite, farm prices for organic apples were the highest in Denmark (1.48 Euro/kg) and in the United Kingdom (1.42 Euro/kg) which were both net importers of organic apples. Farm price premiums were high in the most EU member States except in Italy (2%), France (56%) and Austria (67%). Organic consumer prices varied from 2.41 Euro/kg in Italy to 3.65 Euro/kg in the United Kingdom.

Price *premia* for organic apples ranged extremely from 37% in Sweden to 283% in Portugal (figure 6).

On the contrary, price *premia* for eggs at retail level are lower than at farm's level (Figure 7).

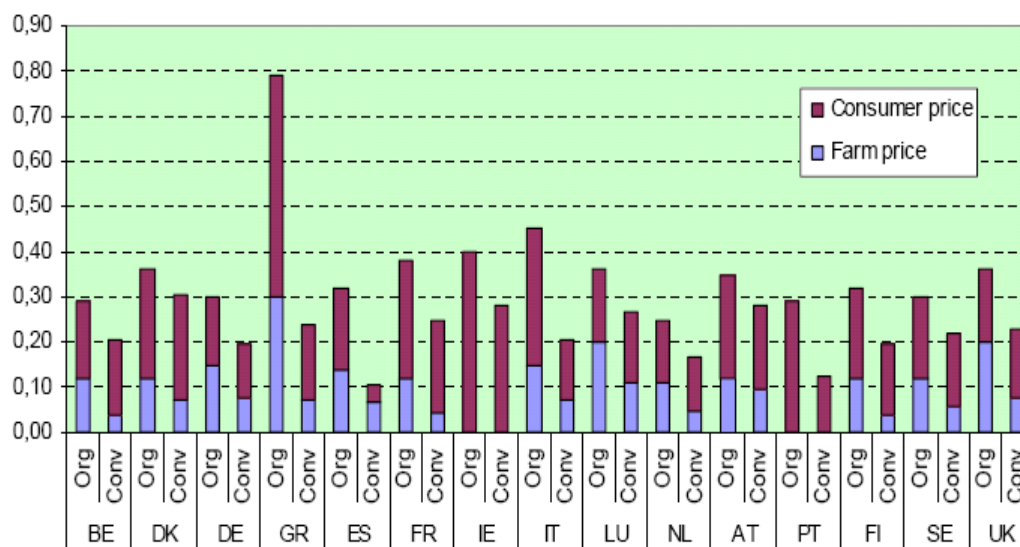
According to the report of Ismea/AcNielsen (Italy, year 2004) the price difference between organic food and conventional one in 2004 has been 35,9% for the wholesale phase and 61,2% for the retail phase. In particular, Ismea/AcNielsen carried out a research on 5 organic fruit and vegetable products (oranges, potatoes, carrots, salad, and tomatoes) in order to analyse the price formation along the supply-chain.

Figure 6 - Farm-gate and consumer prices for apples in EU-15 (€/kg, year 2005)



Source: EC 2005 Organic Farming in the European Union Facts and Figures

Figure 7 - Farm-gate and consumer prices for eggs in EU-15 (€/each, year 2005)



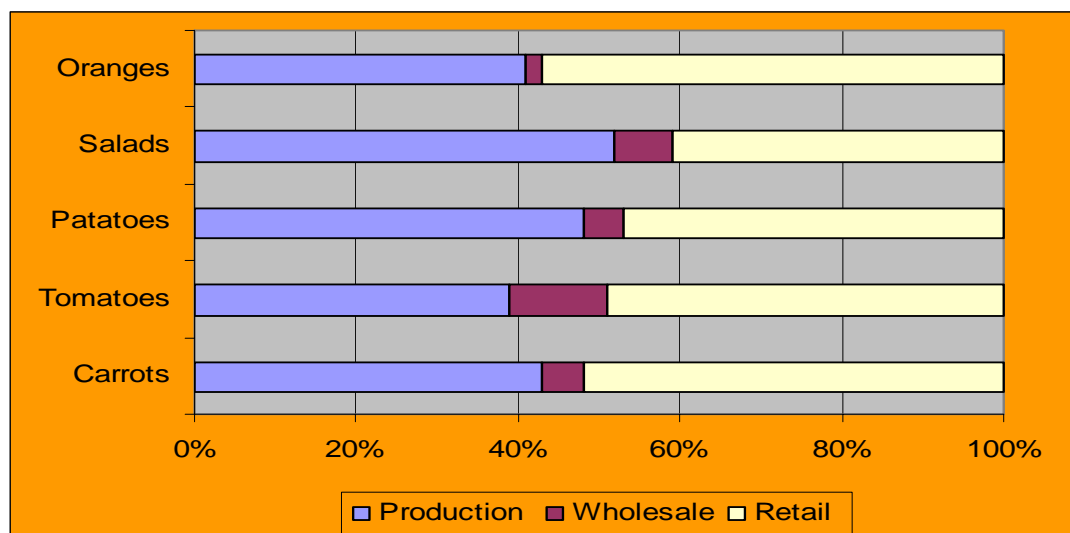
Source: EC 2005 Organic Farming in the European Union Facts and Figures

During the first semester 2004, going from the producer to the consumer the price of the five examined products increased 125 % on average, with peaks of 155% for tomatoes and of 147% for carrots, while the lower increase was recorded for the salads (95%). Differently, price increase adopted by wholesalers resulted to be 13,75% on average (varying between 30% of tomatoes and 3,7% of oranges). In the phase from distribution to retail, price increase is 100% on average (between 69,7% of the salad and the 138% of the oranges) - (Figure 8).

A further analysis has looked at packed organic foods: cereals, milk producing products, olive oil, fruits and vegetables. For the study of the specialised shops, because of lack of data, only 5 products have been analysed: eggs, yoghurt, super-fine pasta, extra virgin olive oil and fresh milk.

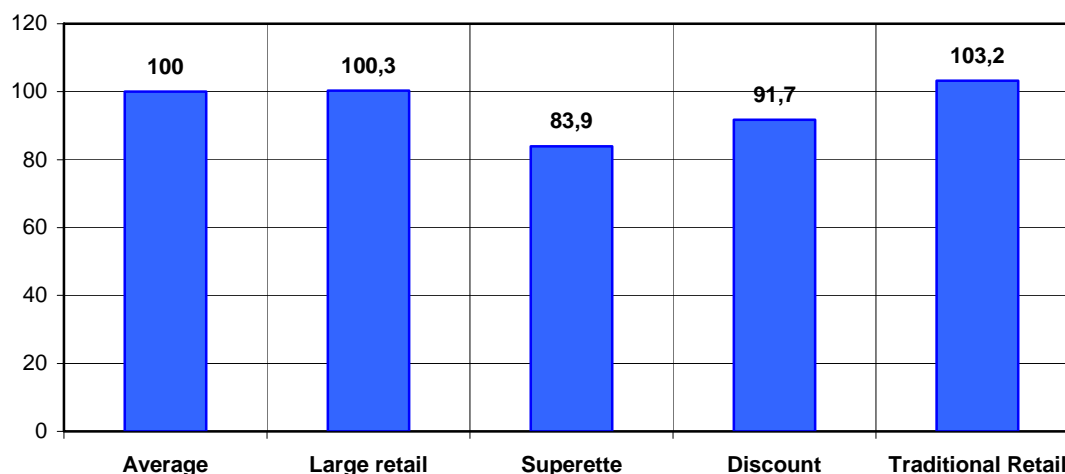
By indexing the percentage variations, and considering the average corresponding to 100, it comes out that higher prices than the average are applied in the specialised shop (+31,7%), in traditional shops, (+3,2%) in large retail (+0,3%), while in discount market and superette prices are lower (respectively - 8,3% and - 16,1%) – (Figure 9).

Figure 8 - Contribution along the organic fruit and vegetable supply chain in Italy (year 2004)



Source: Ismea/ACNielsen, 2004

Figure 9 - Comparison of retail prices for different channels in Italy (year 2004)



Source: Ismea/ACNielsen, 2004

In specialised retail, higher prices are applied to specialty pasta (+52%) and olive oil (+52%), while in traditional retail higher price are applied to biscuits (+42%). In discount markets lower prices are recorded for soybean beverages (-44%), olive oil (-20%) and yoghurt (-17%), while in superette for fresh vegetables (-38%) and biscuits (-32%).

4.4. Distribution

In the first part of this section, we analyse Italian market trends (import and export), policies, strategies adopted by large retail and specialised shops; while in the second part we examine some out-of-home channels distributing organic foods.

In Europe the larger quota of sales goes through the Large-scale Retail channel. Particularly United Kingdom, Luxembourg, Switzerland and Austria stand out for the high percentage of organic food sold in supermarket. For what concerns specialised shops, their presence is relevant in all European countries, but particularly in Spain, Holland, France and Germany (Rohner-Thielen E., 2005).

European organic food market is more and more desired by developing countries. In particular, in the last years, an increasing presence of organic products coming from East European countries and from non-European countries has been recorded. In fact, the number of producers' co-operatives in developing countries exporting directly to our market is increasing.

Currently, 20% of "fair trade" products are organic, certified by control bodies that are recognised by bodies of European countries. One of the biggest issues for the development of such a niche market is caused by high costs to be born for the production certification. At the same time, one of the major risks for the competitiveness of national organic production is represented by the more convenient importation of emerging countries, paying particular attention to Mediterranean countries.

In Italy, referring to the import, the authorisation is granted by MIPAF (Italian Ministry of Agriculture) further to a request of the importing firm, and refers to a potential quantitative of product that could be imported. Comparing the years 2003 and 2004, the authorised quantities to import result to be decreasing for the following sectors: cereals about -46%, vegetables -20%, coffee -53%, sugar -4%. A generalised increase can be noticed for almost all the other sectors: fresh fruit +141,3%, fruitshell +367,2%, legumes +159%, cocoa +48%, vegetable oil +12%.

With respect to Italy, over a third of Italian organic production (fresh fruit and vegetables, extra virgin olive oil, wine, cheese) is exported mainly to other European countries, to USA and Asian countries as Japan or Taiwan. The main export market is definitely Germany (50% of total Italian exports), then UK (16%) and Switzerland (14%). Today consortia and trading companies increasingly plan production and crops together with any single farm. This will allow a larger choice of products available, a better service, guaranteed product quality and the continuous monitoring of consumer demand.

Distribution is crucial for the growth of the organic sector. An "organic" supply chain is not always available and/or efficient. At the retail level, an initial phase was driven by small food specialities shops and health food stores. Large food retail chains (selling mainly conventional products) entered the market and are gaining market share, but the growth is slower than expected (the quota of organic food rarely exceed 1-2%). The opening of specialised large retail shops for organic food is an emerging trend in many EU countries. Direct and alternative distribution is still important: box scheme, farmers market, on-farm sales, etc., for its linkage with sustainability and consumer motivations and values.

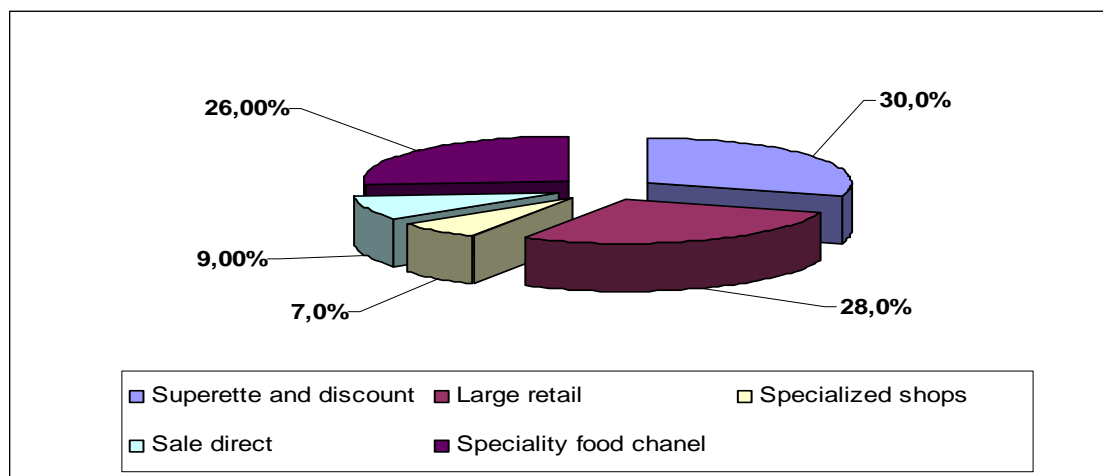
In this part of the paragraph, we consider distribution channels for organic food in Italy, German, Austrian, France and United Kingdom.

Related to distribution channels for organic food in Italy there are about 1.000 specialised shops independent or franchisee (1/60.000 inhabit.): the most important franchiser is NaturaSi. The specialised shops are mainly spread in Northern Italy (95%). organic food products are sold by large retail chains. In 2004 the total value of sales about 282 millions Euro mainly concentrated in the large retail channel.

More in details, it is clear that organic food is mainly sold in supermarket rather than in hyper-market. Very often supermarkets suffer for a lack of space, but their customers are more interested in the quality of the product: therefore they have a higher interest for organic products. In the last years, such positive trend can be recorded also for specialised shops, such as national and regional franchising chains (NaturaSi, CarneSi, Verona – Italy; Bottega and Natura, Turin - Italy). A possible strategy for specialised shops to keep a piece of market under their control would be the guarantee of quality they can offer to the consumers and the selection of commercialised products. Moreover, in the most important supermarkets, organic products do not exceed 300 categories, while in specialised shops such categories rise up 500.

On the other hand, in Germany only 28% of the organic food sales are made in large retail, while the same sales is made in specialised channels (Figure 10).

Figure 10 - Distribution channels for organic food in Germany (year 2004)



Source: Oekolandbau, 2004

The major part (about 60%) of Austrian organic products is distributed via conventional food retail chains. Approximately 30% is sold via collective food services (e.g. schools, hospitals, canteens, in the public and private sectors), including gastronomy and speciality food shops (15%). It is a growing marketing channel. Export is also an important destination (15%). About 10% is distributed via direct marketing and natural food shops. Direct marketing represents an important marketing channel. The personal contact between farmers and consumers is essential for the consumers' confidence. Farmers' markets can be found in every Austrian region.

In France, the association BioCoop organises the distribution of organic food through 170 selling points. In the last decade, supermarkets have gained more and more importance with respect to small natural food shop. Superettes are small specialised bio-supermarkets with self service and a surface of 200 to 500 square meters that in part replace but also supplement the small specialised shops. Today, nearly half of the organic food is sold through supermarket chains (45% of retail organic foods), whereas the rest is sold through health food stores, direct sales, and open-air organic food markets. Retail prices for organic products are on average 25-35% higher than those for conventional foods. Most of the supermarket chains have their own organic food label, carrying an array of products from dry foods to dairy products, to meat and fresh products.

In 2004, the retail market for organic products in the United Kingdom was worth an estimated 1,78 billion Euro, demonstrating a steady growth across the sector. Sales of organic products through direct and alternative markets, such as box schemes and independent retail shops, increased considerably during the year. Retail sales of organic products through the multiple retailers continued to grow, but at a much slower rate than in previous years. Consequently, the supermarket share of the organic market fell for the third consecutive year.

In Europe the global trend of organic supermarkets is composed by the following organizations: NaturaSi, Planet Organic, Ecoveritas, Biocoop, La Vie Claire, Ekoplaza, Vierlinden (Table 3).

Table 3 – The global trend of European organic supermarkets

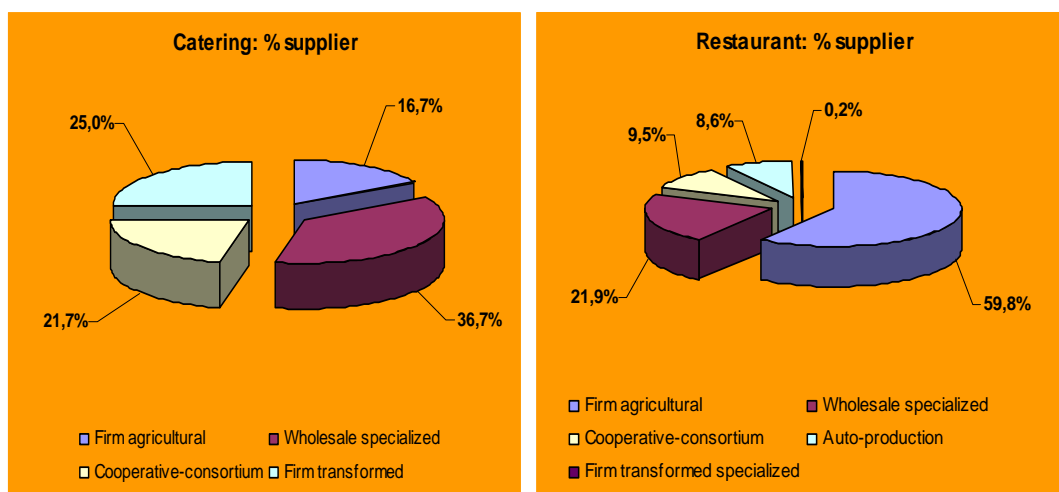
| Organic Supermarkets in Europe | |
|---------------------------------------|---|
| NaturaSi (Italy) | 40 outlets in Northern and Middle Italy and 1 outlet in Spain |
| Planet Organic (United Kingdom) | 2 outlets in London |
| Ecoveritas (Spain) | 7 outlets: Barcelona (5), Granollers (1), Andorra (1) |
| Biocoop (France) | 104 supermarkets (223 outlets in total) |
| La Vie Claire (France) | 20 supermarkets (120 outlets in total) |
| Ekoplaza (Netherlands) | 1 outlet and 15 planned |
| Vierlinden (Germany) | 1 st outlet in Dusseldorf and 4 planned full product range |

Source: www.organic-services.com

The marketing strategies adopted by specialised food shops are different from those adopted by large retail. In particular, the specialised food shops rely upon the following factors: higher variety of products in the same category, higher price, direct relationship with the consumer, skilled staff, additional services to customers, ability to awake the interest of customers on ethical and environment-related topics, more products with producer's brand. The large retail, instead, rely upon others factors: possibility to buy organic and conventional products in a single point of sale, lower prices (but high premiums and easier comparison with conventional food), presence of specialised organic private labels on the shelves (to stimulate and promote organic foods), organic food offered as a quality cue from the retail brand.

In the second part of the section, we examine some out-of-home channels (food service channel and organic canteens) distributing organic foods. In particular, the sector operators identify both an increasing penetration of organic products in the food service channel and out of home consumption as global trends for the coming years.

The Bio Bank 2004 Database has detected 156 organic restaurants and 22 organic food service companies in Italy. In 2004, Ismea has monitored the Italian organic food service channel carrying out a research on a sample of 21 restaurants and 6 catering companies. The main differences between the two channels have been noticed in the organic foods suppliers: for the restaurants the main suppliers are farms (59,8%), for the catering companies the main suppliers are specialised wholesalers (36,7%) – (Figure 11).

Figure 11 - Italian Food service channel and out of home consumption as global trend (year 2004)

Source: Ismea/ACNielsen, 2004

The additional cost of an organic meal compared to a conventional one corresponds to +32,5% for catering societies and to +20,8% for restaurants. The change of the global trend towards out of home consumption is due to several factors, among while changed lifestyle and work culture, women on the job, children who are tended with food at kindergarten or school, project-oriented work-style (high time pressure, no fixed dining breaks).

From 1999 to 2004 in Italian canteens the use of flavouring and organic foods increased from 110 to 608 (+400%). The regional classification pointed out Emilia-Romagna as the leader with 119 "organic canteens", followed by Lombardia (105), Toscana (77), Veneto (69) and Friuli-Venezia Giulia (65). Moreover, starting from 2005, Emilia-Romagna created an Internet website dedicated to organic foods and collective catering services: <http://www.sportellomensebio.it/>.

In the United Kingdom, government procurement policy and the 2004 Soil Association report on school meals have driven a strong emphasis for schools, hospitals and other public sector catering outlets to serve organic food. Over 300 schools throughout the UK have been in contact with the Soil Association about improving school meals.

In Austria, canteens and catering service kitchens in the public and private sectors are increasingly using organic food. Depending on the different provinces they supply a high percentage of organic products. In Vienna, kitchens of all public institutions offer certain components in organic quality (up to 30%), and in Salzburg 50% of the food offered in kindergartens is organic. By now, the organic share of turnover of Austrian food service operators in the public and private sectors, e.g. hospitals, nursing homes, schools and canteens, sums up to about 30 million Euro/year (Kaiblinger and Zehetgruber, 2004).

Even in the European countries where the conventional channel dominates, there is recently a growth of "alternative" channels, such as organic catering (school canteens and hospital canteens), and short channel (direct sales, flea markets, box scheme) which combine the needs of regular consumers of organic products with those of small independent farmers (Berardini et al., 2006).

4.5. Communication

Before facing the topic of communication strategies adopted by public bodies and private societies, it is important to define the typical consumer of organic food. From researches carried out in Europe in the last five years, it has come out that the typical consumer of organic food has an age between 25-45 years, lives in medium/big urban centres, has a middle/high purchasing power and a good level of education.

Each study points out typical features of European consumers (Censkowsky, 2006):

- 70% of Italian consumers know organic foods, but if more precise questions are made (control system, certification) the level of real knowledge is definitely lower than the stated one;
- German consumers buy organic food because of his environmental friendly culture;
- French consumers want to buy a certified product which is healthy;
- Dutch consumers (as well as consumers from North Europe) buy organic food for health reasons.

Word-of-mouth, interpersonal contact and peer communication still play a relevant role. Specialised shops allow transferring information through skilled personnel, while this is difficult in large retail shops. The personal contact between farmers (or farmer associations) and consumers is still a core element for building the consumers' confidence. Awareness is quite high, but knowledge is scarce. Organic is sometimes not distinguished by other low-impact farming alternatives (Integrated Crop Management). Certification is useful for building trust, but it is not fully understood by the consumer and expensive for the producer.

Mass media and press articles are generally favourably oriented towards organic products, but the information is incomplete. Institutional (funded by the government or state agencies) communication has been recently implemented in order to reduce the information gap. Few companies are available and capable to invest in advertising. The style and underlying values of "organic" culture is suspicious or adverse to media and communication tools. Internet may be an exception for its image of "freedom" and its ability to create communities.

In Italy, the communication campaign of MIPAF (Italian Ministry of Agriculture) can be pointed out for two important advertising stimulating the public attention towards respect to organic food:

- "Organic agriculture grows the nature": folding leaflet distributed in primary and secondary schools dedicated to organic agriculture;
- "To be informed gives pleasure": communication that brought to 6 publications distributed during promotional exhibitions that can be found in internet on the MIPAF web site (www.politicheagricole.it). The publication dedicated to organic food is named "Organic foods: quality and health at lunch".

In Italy in the last years the so-called bio-alliances have been created; they include different agricultural and food companies to develop a private label. An important example of such bio alliances are: Consortium **Almaverde Bio** (specialised in fruit and vegetables), **Verybio** selling packed products (meat, fruit and vegetables), **Bioitalia** created by the union of farms from Campania (packed products, wine, beverage, flavouring). This Consortium of organic producers promoted an "umbrella" brand through national TV commercials, available on the web site.

Other alliances are born to sell the product under a unique label already present in the sector, such as the bio alliance between **Alce Nero** (cooperative of organic food producers) and **Conapi** (one of the biggest producers of honey) who have founded the company **Mediterrabio**.

At the end, in the multitude of bio alliances it is important to remember also those referred to emerging of projects. An example is Consortium (60 farms holding about 20% of the organic food market) aiming at qualifying the control system through more restrictive rules than those imposed by the statutory law.

In Western Europe, Germany is the country investing great economic resources in advertising dedicated to the promotion of organic foods. The communication of the German Ministry of Agriculture in favour of organic foods is based on the principle of a higher responsibility for what concerns health and environment. The Ministry dedicates 3 web sites to organic food.

In Austria, magazines regularly publishing articles on Organic Farming include:

- articles covering ideas and information on organic farming techniques, processing, and marketing. BIO ERNTE AUSTRIA;
- information for members of the bio-dynamic farmers' association Demeter;
- special emphasis on breeds appropriate to animal husbandry;
- emphasis on technical, social and political problems of farmers living under severe natural conditions with fields at higher altitudes and with steep slopes;
- newsletter covering aspects of ecology, nutrition, organic farming and politics.

Since beginning of 2003, organic organisations are working on a complete change of the organisational situation in Austria. The umbrella organisations will be united and replaced by a new association called BIO AUSTRIA (it opened its office in Vienna in September 2003). Advisory, quality and product management, research and innovation, consumer information, marketing are organised in a better, much more efficient way, which will give to farmers and processors better services and to consumers more security and quality.

5. Conclusions

In this paper we investigated the present scenario of the organic food marketing and distribution in the EU. The study highlighted the different marketing strategies adopted in the main European countries pointing out the wide range of solution adopted in the different markets.

According to many studies and to the market development, organic agriculture may represent a real opportunity for the European farmers and it may actively contribute to the vitality of the rural areas. In many member countries of the EU, an increase of the organic sector gives rise to new possibilities of employment in agriculture, in the processing industry and in related services. Thus, it is important for the economical advantages as well as for the social cohesion in the rural areas

Generally speaking, the situation of a “slowed down growth”, currently present in the European market, where organic products have a high impact rate on the value of the conventional food sales, gave rise to strategies split in two directions: the first direction, is to propose continuity in supply, reliability of the product, proximity to the shops, transparency of the price; the second one is to transmit, through organic products the principle of responsibility toward health and environment. For this reason, the detection of effective communication methods (particularly by public bodies) can have an important role through TV and radio commercials, internet sites, initiatives for eating habits education to pupils and students, dedicated exhibitions to enhance the value of organic food.

The present paper has pointed out that some markets (e.g. the German one) are well-articulated and organised, with a prominent role of the large retail chains but also an important role of organic product sales going through specialised channels or made with different types of direct sale. Also in Italy a better sharing of organic products in the several distribution channels could contribute to the enlargement of the consumption base and to the promotion of the organic sector even though the commitment of large retailers in this market is rather low.

Organic agriculture has shown to have important features (environment, health, social equity, and economic return) to let it be adopted and supported at the international level. In particular, specific positive consequences of the adoption of organic agriculture (such as: good management of local resources, co-operation among farmers, direct sale and value-enhancement of organic foods) can have positive effects on farmers' income.

A better division in the distribution channels of the organic food supply can contribute to the enlargement of the consumption base and to the promotion of the organic sector. The distribution should allow the product to reach the right consumer at the right time, place, and price for the desired product.

A relevant role is played by trust and guarantees for quality and integrity. The UE label is an important instrument for the producers and the consumers and it could become compulsory for all the organic food. Even though several initiatives for a “domestic” organic brand have been taken at the EU level, it could not be a sound solution, since the adoption of a national label, besides building value upon an ethnocentric segment of the organic consumer, may rather induce confusion among the consumers.

In conclusion, two important elements may be identified: the trends of emerging markets and the possible actions to support the growth of the organic food. The main trends of the emerging market may be identified as follows:

- in many European countries the market demand of organic food is still growing, for both fresh and processed products. In some countries the growth is slowing down, but the organic industry still grows more than the food industry;
- the consumer interest for the “organic” attribute is growing and it is also spreading in formerly “skeptical” markets;
- as market potential grows, price premiums may decrease;
- supply is stable or decreasing because of the diminished public subsidies to organic farming (marketing policies needs to be developed to maintain supply in the future, or international trade should substitute domestic supply);
- changing habits and general trends affect also the organic market. Emphasis on out-of-home-consumption: increasing penetration of organic foods in the food service channel as a strong trend for the coming years.

On this respect, the possible actions are:

- development of more efficient and targeted distribution channels, allowing lower retail prices through economies of scale;
- development of new supply chain solutions to allow a better transfer of added value back to the farmers

-increased attention to the distinctive features of organic food: healthy and environmental factors, absence of residues of synthetic chemicals, delightfulness, food safety, product certification.

In Europe, another difference today is a fierce competition among producers, wholesalers and retailers offering a far greater assortment of products in all price ranges and quality grades. Consequently, there's also greater efficiency at both the wholesale and retail ends, thanks also to improved information, communication and marketing. Nor is it just the supply side that's undergone structural change.

In conclusion, there is still room for research in many directions, and interesting research questions may be raised in several fields.

The intent of this paper was not to offer a comprehensive view on the theme but while its editing developed we recognized that there could be a need to do that in the future.

6. References

- AA.VV. (2005). L'evoluzione del mercato delle produzioni biologiche: l'andamento dell'offerta, le problematiche della filiera e le dinamiche della domanda. Rapporto ISMEA.
- A.A.VV. (2003). Organic agriculture: sustainability, markets and policies. Organisations For Economic Co-Operation And Development (OECD). 1- 375.
- AA.VV. (2002). Speciale produzione biologica. Terra e Vita. 32: 41-55.
- AA.VV. (1994). Tutto BIO '94. Annuario dell'agroalimentare. Ed. Distilleria Ecoeditoria.
- AA.VV. (1998). Tutto BIO '98. Guida completa al biologico e all'ecologico. Ed. Distilleria Ecoeditoria.
- AA.VV. (2001). Tutto BIO 2001. Guida completa al biologico e all'ecologico. Ed. Distilleria Ecoeditoria.
- Berardini L., Cianavei F., Marino D., Spagnolo F. (2006). Lo scenario dell'agricoltura biologica in Italia, Working Paper SABIO no. 1, INEA – Istituto Nazionale di Economia Agraria, Roma.
- Bertino R. M. (2005). GDO, sfida all'ultimo cliente tra supermercati e specializzati. Agricoltura, mensile dell'Assessorato Agricoltura Regione Emilia-Romagna, 7/8: 84-85.
- Bertino R. M. (2006). Ortofrutta, calano i consumi domestici, ma non gli investimenti. Agricoltura, mensile dell'Assessorato Agricoltura Regione Emilia-Romagna, 6: 52-53.
- Bertino R. M. (2006). Vendita diretta, associarsi per vincere la concorrenza. Agricoltura, mensile dell'Assessorato Agricoltura Regione Emilia-Romagna, 4: 58-60.
- Breviglieri M. (2006). Il mercato del biologico si allarga al terzo mondo. Agricoltura, mensile dell'Assessorato Agricoltura Regione Emilia-Romagna, 3: 15-16
- Canavari M., Olson K. D., (2007). Organic food: consumers' choices and farmers opportunities. Springer Science +Business Media, 171-181.
- Cavallini C. (2006). Alimenti biologici, pronte le nuove regole sull'etichettatura e soglia Ogm. Agricoltura, mensile dell'Assessorato Agricoltura Regione Emilia-Romagna, 1: 25-26.
- Censkowsky U. (2006). Organic fruit and vegetable market in Europe: facts, sector developments and trends. Lecture prepared for Macfrut 2006 – Cesena, Italy.
- FAO (1999). Codex Alimentarius Commission Guidelines for the Production, Processing, Labelling and Marketing of organically produced foods. cac/gl 32-1999.
- Häring A. (2002). Organic farms in the EU: status quo, development strategies and policy impacts on selected arable and dairy farms. Farm Management, 11: 387-397.
- Kristiansen P., Merfield C. (2006). Chapter 1 Overview og organic agriculture. In: Kristiansen P., Taji A. and Reganold J. (eds.), Organic agriculture. A global perspective. Itaca: Constock Publishing Associates, pp. 1-24.
- Lohr L., Park T. (1999). Integrated markup rules for optional pricing decisions in expanding markets for organic produce. Applied Economics, 31: 885-892.
- Lunati F. (2005). Consumi, l'Europa frena. Ma il mercato Tedesco è già ripartito. Agricoltura, mensile dell'Assessorato Agricoltura Regione Emilia-Romagna, 7/8: 86-88.
- Lunati F. (2006). Dallo sviluppo rurale una spinta alla crescita delle produzioni "BIO". Agricoltura, mensile dell'Assessorato Agricoltura Regione Emilia-Romagna, 6: 48-50.
- Offermann F., Nieberg H. (2002). Does organic farming have a future in Europe?. EuroChoices, Vol. 1, 2: 12-16.
- Raynolds L. T. (2004). The globalization of organic agro-food networks. World Development, Vol. 32, 5: 725-743.
- Rohner-Thielen E (2005). Organic farming in Europe. Statistics in Focus: Agriculture and Fisheries.
- Shukla V. K. S. (2001). Organic food: present and future developments. Health Nutrition, Vol. 12, 495-499.
- Szente V., Szakály Z. (2003). Analysis of the different sales channels on the organic food market. Agriculturae Conspectus Scientificus, Vol. 68, 307-310.

- Wier M., Calverley C. (2002). Market potential for organic foods in Europe. *British Food Journal*, Vol. 104, 45-62.
- Willer E., Yussefi M. (2005). The world of organic agriculture, statistics and emerging trends 2005. EC 2005 Organic Farming in the European Union Facts and Figures

7. Internet sites

www.europa.eu.int
www.organic-europe.net
www.fao.org
www.ifoam.org
www.fibl.org
www.fibl.ch
www.biofach.de/main/page.html
www.organic-services.com
www.politicheagricole.it
www.ismea.it
www.inea.it
www.sinab.it
www.fiao.it